

A Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting Corporation was held on March 6, 2014 at 10 A.M. at Corporate Headquarters, 5 Davids Drive, Hauppauge, New York.

The following persons were present:

Dominick P. Feeney	Chairman
Herbert Hemendinger	Vice Chairman
Eddie S. Wynn	Secretary
Philip C. Nolan	President
Anthony Pancella III	Vice President
James McManmon	General Counsel
Thomas Kilmartin	Budget Director
Kevin Snover	Counsel to the Board of Directors
Paulette L. Moses	Corresponding Secretary to the Board

Also Present:

Victor Salamone	Chief of Staff
Lorraine Pappas	Deputy Chief of Staff
Debbie Pfeiffer	Director of Public and Government Affairs
Kim Edelstein	Director of Wagering Operations and Customer Service
John Luquer	Executive Director Corporate Facilities

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The Meeting was called to order by Chairman Feeney at 10:00 A.M.

**ITEM #1      APPROVAL OF MINUTES OF THE BOARD OF DIRECTORS**  
**MEETING JANUARY 30, 2014**

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors' Meeting of January 30, 2014 whereupon a motion that those minutes be approved was made by Vice Chairman Hemendinger, seconded by Secretary Wynn and carried unanimously.

## **ITEM #2     JANUARY HANDLE REPORT**

Thomas Kilmartin reported the analysis for Comptroller Gazes in her absence. The January 2014 handle was down \$ 946,790 or 10.9% from 2013. The year to date handle through January was down \$ 946,790 or -10.9% from 2013. January's handle was down compared to projected handle as submitted to NYS by \$ 947,331 or 10.9% for the month, and year to date.

The total QWIK betz handle was down \$ 72,740 or 9.5% for the month in spite of the addition of seven new locations, primarily due to the loss of \$122,336 or 100% at Jon Thomas Inne as a result of a fire related closure in December and a decrease of \$149,479 or 79.9 % at Jimmy's Pub. The locations that were not open in January 2013 are McGovern's; Bapa Cards & Gifts; Gator Blue; Napper Tandy-Smithtown; Grumpy Jacks; Biddy Spratt's and Rockwell's. Internet wagering was up \$ 184,207 or 30.4%, and telephone wagering was down \$ 41,913 or 5.8%, so overall account wagering handle - phone and internet combined - was up \$ 142,294 or 10.7% for the month of January.

The Racing Forum's handle was down \$ 178,603 or 7.6% for the month of January. The overall regular branch handle in the six locations was down \$837,741 or 19.6% month to date, with Shirley having the largest decrease of \$ 207,346 or 33.7%, followed closely by Commack (\$ 194,273 or 33.6%). Handle for the Racing Forum for the month of January as a percentage of total handle increased from 27.0% in 2013 to 28.0% in 2014. The regular branch handle as a percentage of total handle decreased from 48.9% in 2013 to 44.1% in 2014. Internet bets continue to increase from 7.07% in 2013 to 10.2% in 2014. Aqueduct's handle was down \$229,491 or 9.2%, with 1 additional race day, from 19 to 20.

In-state harness handle was down \$ 83,379 or 18.3%. Yonkers's January handle was up \$14,690 or 7.6%, with three additional race days, 17 vs. 14 and the average per day handle was \$12,224 in 2014 compared to \$13,795 in 2013 (a reduction of \$1,571 per day or 11.38%). Monticello's January handle was down \$ 83,822 or 36.3%, with 4 fewer race days, 15 vs. 19 and the average per day handle was \$9,808 in 2014 compared to \$12,155 in 2013 (a reduction of \$2,347 per day or 19.31%). Buffalo's January handle was down \$14,247 or 45.3% with 1 fewer race day, 9 vs. 10 and the average per day handle was \$ 1,915 in 2014 compared to \$3,148 in 2013 (a reduction of \$ 1,233 or 39.17%).

Out-of-state thoroughbred handle was down \$ 214,860 or -4.6%. The largest decrease of \$ 210,362 or 13.2% was at Gulfstream. They had the same number of race days, but their daily average also decreased \$ 9,562 or 13.21%, from \$72,397 to \$62,835. Most of the other out-of-state tracks also had decreases, but there were a couple of increases, such as Fairgrounds, Oaklawn, Houston and Santa Anita. The out-of-state harness handle was down \$419,059 or 38.3%. The decreases reflected an almost across the board reduction as a result of fewer race days.

The following is a summary of statewide OTB handle by region. Every region had a decrease for the month, ranging from 7.9% for Western to 22.4% for Catskill. Overall statewide handle for the month was down 12.6% from last year, so Suffolk OTB's 10.9% decrease is in line with the overall statewide trend. The handle for the month is down by \$737,729 or 4.3%. We have had a lot more weather cancellations this year.

### **ITEM #3      PRESIDENT'S REPORT**

President Nolan reported that we continue to work with Sportech on the existing issues and that Vice President Pancella is working diligently with them to get the product where we want it. President Nolan pointed out that if the uptick in internet and QWIK betz numbers as seen in the handle report continues as we envisioned, our protestations towards Sportech will become less viable in the future. He believes that we are making progress with the company. President Nolan stated that the closing date of the Sunrise branch is imminent but there have been one to two week delays that are out of our control.

President Nolan reported that Delaware North Companies Gaming & Entertainment, Inc. has communicated to us that our bankruptcy situation has emerged now as an issue for the VLT project. This will not delay the execution of the agreement between us. They would like us to get out of bankruptcy prior to the start of the distribution of the various funding for the VLT project. President Nolan stated that this not an unreasonable request on behalf of Delaware North, however this changes our situation drastically from the current bankruptcy terms we have been operating under to now emerging out of bankruptcy immediately. We are in communication with our bankruptcy attorney Christopher Graham, at McKenna Long & Aldridge to start the process.

President Nolan explained to the Board that unfortunately we had to make a very tough decision this month to lag payroll. We had no other choice in the matter. So far headquarters' personnel is already doing the lag payroll. We have reached out to Teamsters Local 237 and UFCW Local 517S, and they have agreed to consider a lag in payroll for the next pay period.

#### **ITEM #4      VICE PRESIDENT'S REPORT**

Vice President Pancella stated that the internet site is progressing along. Debbie Pfeiffer and Lorraine Pappas have been working with Sportech on the internet site addressing the corrections needed. The machines continue to be a problem; we have a plan to replace the STANS with 45 FLIPS, the equivalent of a BET JET, which is a newer gravity fed ticket machine that functions quicker. They have been delivered to the branches and we are now in the process of getting them installed and will have them up and running shortly. Our relationship with Sportech is going well on the executive level and we will continue to work out our issues.

Vice President Pancella reported that with regards to the Delaware North agreement, projections covering an 18 month period have been delivered to the appropriate parties involved with the VLT project. The figures sent represent an estimate of revenue and expenditures that will sustain our operation for 18 months. The numbers are well within the amount that is collateralized on the buildings we own. With regard to signing the agreement, these figures will make Delaware North feel comfortable on all accounts.

President Nolan asked that the Board consider going into Executive Session. A motion was made by Vice Chairman Hemendinger that the Board go into Executive Session. The motion was seconded by Secretary Wynn and carried unanimously.

Upon reconvening in Open Session, Counsel McManmon stated that during Executive Session certain personnel and litigation matters were discussed. No motions were made and no votes were taken.

Chairman Feeney noted that the next meeting of the Board of Directors will be held Thursday March 27, 2014 at 10 am.

There being no further business before the Board, a motion was made by Vice-Chairman Hemendinger that the meeting be adjourned. The motion was seconded by Secretary Wynn and carried unanimously.

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Eddie S. Wynn, Secretary